An Analysis of Foreign Barriers to Thailand's Export

Thailand Development Research Institute Foundation

AN ANALYSIS OF FOREIGN BARRIERS TO THAILAND'S EX

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I. INTRODUCTION

There have been many discussions of how the world economy has fallen into the grip of protectionism. Except for the decades immediately following World War II, protectionism has been a constant feature of modern economic history. Economists, believing in international comparative advantage and the gains from liberal international trade arrangements, have opposed restrictive trade measures. Though some battles have been won, the war against protectionism is not over, and in the near future protection could become even stronger.

Increased protectionism was sparked most recently by the oil crises of the 1970s and the prolonged world economic recession of the early 1980s. Developed countries had to struggle to solve macroeconomic problems. Among the major OECD nations, the US assumed the most active role, in particular, undertaking initiatives dealing with exchange and interest rate problems. Both Japan and the EEC reluctantly took part, but lack of coordination among OECD countries led to many problems, further complicating the fundamental problem of structural adjustment in an increasingly integrated and competitive world economy.

As the major economic powers faced slower economic growth and often greater trade deficits, they resorted to protecting domestic industries. Politicians have found the world economic environment conducive to promoting new trade barriers. 1/ Instead of placing blame on declining competitiveness and low productivity, politicians and pressure groups have placed the blame on the global trading system and unfair foreign trade practices, pointing to imports as the main reason

for poor domestic economic performance. Thus, over the last few years the US, EC and other developed countries have chosen to erect increased numbers of import barriers.

From a statistical standpoint, multilateral trade negotiations (MTNs), held under the auspices of the General Agreement on Tariffs and Trade (GATT), have been quite successful. After eight successive rounds of negotiations from 1947 to the conclusion of the Tokyo Round in 1979, US tariff rates, for example, have declined substantially to a level today about 21.2 per cent lower than the level of U.S. duties prevailing in the 1930s. (See Table 1.)

The same conclusion can be drawn in the cases of the EEC and Japan, as illustrated in Table 2 which summarizes pre- and post-Tokyo Round tariff averages. Though discrimination against processed goods remains, average tariff rate levels in Japan and the EEC are low, rivaling those in the US. However, rising non-tariff barriers (NTBs) to international trade have more than offset these reductions in nominal tariff rates. According to the World Bank, the extent of NTBs more than doubled in the US between 1980 and 1983, and rose by almost 40 per cent in the EEC. 2/ While few studies examine the extent of NTBs and their possible impacts on developing countries, this study attempts to identify the extent of NTBs against Thailand's exports and to assess their impact.

The remainder of the paper is organized as follows. Section II provides an overview of the tariff and non-tariff barriers facing Thai exports to the major industrial countries based on information made available by UNCTAD and the Thai Ministry of Commerce. Case studies

Table 1. Duty Reductions under the U.S Trade Agreements Program

GATT Conference	Proportion of Dutiable Imports Subjected to Reductions	Average Cut in Reduced Tariffs	Average Cut in All Duties	Remaining Duties As a Proportion of 1930 Tariffs a/
1. Pre-GATT 1934-47	63.9%	44.0%	33.2%	66.8%
2. First Round, Geneva, 1947	53.6	35.0	21.1	52.7
3. Second Round, Annecy, 1949	5.6	35.1	1.9	51.7
4. Third Round, Torquay, 1950-51	11.7	26.0	3.0	50.1
5. Fourth Round, Geneva, 1955-56	16.0	15.6	3.5	48.9
6. Dillon Round Geneva, 1961-62	20.0	12.0	2.4	47.7
7. Kennedy Round, 1964-67	79.2	45.5	36.0	30.5
8. Tokyo Round, 1974-79	n.a.	n.a.	29.6	21.2

Source: Real P. Lavergine, The Political Economy of U.S. Tariffs: An Empirical Analysis. New York, Academic Press, 1983.

a/ These percentages do not take account of the effects of structural changes in trade or inflation on the average tariff level.

Table 2

Average Import Duties in Industrial Countries
Before and After Tokyo Round

	US		Japan		EEC	
	1979	1985	1979	1985	1979	1985
Raw Materials a/	0.7	0.2	1.4	0.4	0.1	0.1
Semi-Manufacture	4.4	3.0	6.5	4.5	5.5	4.1
Manufacture	8.1	5.6	12.4	5.9	9.7	6.8
All products a/	6.3	4.3	5.4	2.7	6.5	4.6

a/ Excluding petroleum.

Note: Duty Rates based on 1977 trade weights.

Source: The World Bank, Thailand Country Economic Report 1986.

identifying NTBs faced by particular products are reported in Section III. Included in this analysis are 1) rice, 2) garments, 3) sugar, 4) tapioca, 5) frozen marine products and 6) boneless chicken. These products are of significance to Thailand in terms of export earnings; they are also among the principal Thai products exported to the US, EEC and Japan. To avoid giving a biased picture, Section IV gives an account of trade barriers existing in the ASEAN countries, which are among Thailand's principal developing country trading partners. The concluding section summarizes the findings of the study and suggests some remedial actions to be taken at the multilateral, regional and national levels.

II. TARIFF AND NON-TARIFF BARRIERS IN INDUSTRIAL COUNTRIES

In order to present the overall picture of the tariff and non-tariff barriers faced by Thai exports, we rely on two sets of data made available by UNCTAD and the Ministry of Commerce of Thailand. The UNCTAD data are presented in Table 3. The data from the Ministry of Commerce are presented in Tables 4 and 5. Both data sets were compiled from 1984 data.

The UNCTAD data cover all CCCN chapters. All chapters face both tariffs and NTBs, and many chapters additionally face specific tariffs. While the information indicates only the occurrence, and not the restrictiveness of specific tariffs and NTBs, the tariff rate data reveal that tariffs in excess of 40 per cent are frequently encountered by Thai exports of agricultural products and manufactures in the markets of the industrial countries.

Table 3

Tariff and Non-Tariff Barriers Facing Principal Thai Exports in Industrial Countries

CCCN	Category	Average Ad Valorem Tariff Rate (%)	Tariffs	Specific NTBs
03	Fish	60.0	*	**
07	Vegetables	50.0	*	**
08	Oranges	60.0	*	**
09	Coffee	42.5	*	**
10	Wheat		*	**
12	Prepared vegetables and fruits	46.9	*	**
15	Margarine and shortening	15.0	*	**
17	Sugar	53.3	*	**
19	Prepared food	80.0	*	**
20	Processed vegetables and fruits	80.0	*	**
22	Alcoholic beverages	60.0	*	**
23	Flours and meals of meat and offal	0.0		**
25	Natural calcium phosphate	3.0		**
26	Ore concentrates	3.0		**
27	Briquettes	16.7	*	**
29	Acyclic hydrocarbon	19.5	*	**
33	Essential oils, perfume	70.0	*	**
37	Chemical products	15.0	*	**
44	Fuel wood	24.3	*	**
47	Pulp and waste paper	1.0		**
48	Paper and paperboard	30.0	*	**
49	Printed matter	17.3	*	**
50	Silk	21.4		**
55	Cotton	66.7	*	**
57	Jute	30.0		**
58	Pile fabrics and chenille	80.0	*	**
59	Felt and articles	30.0		**
62	Made-up textile articles	52.5	*	**
66	Umbrellas and sunshades	65.0	*	**
68	Building and monumental stone	80.0	*	**
69	Clay construction materials	70.7	*	**
73	Iron and steel	11.8	*	**
80	Tin	13.8		**
83	Locksmith's wares	60.0	*	**
84	Steam boilers	12.2		**
85	Electric motors	22.5		**
87	Motor vehicles	46.0		**
90	Optical instruments	30.0	*	**
97	Toys	30.0	*	**

Source: UNCTAD, Manufactures Division, 1986.

Note: Average tariff rates are weighted by 1984 Thai exports.

The Thai Ministry of Commerce data have been broken down into tariff and non-tariff measures. Unlike the UNCTAD data, the Ministry of Commerce data are reported by major foreign markets, namely, Japan, EEC and the US. Another difference is that they include GSP rates applicable to Thai products. The MFN and GSP duty rates in Table 4 indicate that tariff rates applicable to Thai products are low, in particular because GSP duty rates are considerably lower than the average tariff rates in Table 3.

Turning to the information provided in Table 5, it is apparent that the US imposes three types of NTBs: (a) internal regulations and laws, (b) quotas and (c) tariff quotas. It is difficult to suggest that regulations are impediments to trade when the country in question attempts to establish and adhere to socially beneficial health, sanitary and similar regulations. Two Thai products facing US non-tariff barriers are canned tuna and sugar. Exports of canned tuna face tariff quotas, while sugar exports face both global and country quotas.

The EEC administration of non-tariff measures comprises mainly the application of quotas and a variable import levy system. Canned pineapple faces duties on its content of sugar, and thus the EEC imposes indirect tariffs on competitive agricultural goods. Rubber and leather products (CCCN 40 and 42) face total value restrictions. And finally, apparel and clothing accessories (CCCN 61) face quotas established under the Multi-Fibre Arrangement (MFA).

Japanese barriers to trade are considered to be administered in a very fluid manner and to be susceptible to change on short notice. Apart from global quotas and import levies, Japan tends to apply value

Table 4

Tariff Barriers of the US, EEC, and Japan for Selected Products, 1984

CCCN	Name	TARIFF JAPAN MFN	TARIFF JAPAN GSP	TARIFF EEC CONV. RATE	TARIFF EEC GSP	TARIFF USA GEN. RATE	TARIFF USA GSP
03	Fish crustacean	5-15%	4-9%	6-18%	4-7%	free-18.1	10.5
07	Edible vegetable	-	-	-	-	-	0.5-15 c/lb
08	Edible fruit and nut	-	-	-	-	0.5 c/lb	-
16	Prep. of meat, fish	5-15%	4-9%	6.1-30%	4-19%	-	6-18.1 (ad.val)
17	Sugar and confectionary	35-98%	-	65-80%	-	-	0.012-2.9812 c/lb
20	Prep. of veg. fruit plant	55%	-	-	-	0.5 c/lb	-
24	Tobacco rom 670201	355%	-	23%	7%	12.75 c/lb	-
40	Rubber and synthetics	6-24%	free	free-6.3%	-	2.5 (ad.val)	-
42	Articles of leather	10-12.5%	5-6.25%	13.5%	-	8 (ad.val)	-
50	Silk and silk waste	8-12.5%	free	5.1-9.4%	-	-	5 (ad.val)
55	Cotton	free-14%	free-7%	free-12%	-	free-13.5 (ad.val)	-
60	Knitted crocheted GD	11.2-16.8%	5.6-8.4%	12.5-15%	-	21.30.3%	-
61	Apparel and clothing acc	8-24%	free-22.4%	11.1-15.5%	-	16.7-40%	-
64	Footwear	5-20%	10-15%	5.7-20%	-	5-15 (ad.val)	2.5-7.9 (ad.val)
67	Feather articles	8-25%	-	9.4-11.5%	-	-	12.5-31.2%
69	Ceramic products	-	-	9%	-	21.3%	-
85	Electrical machinery	6%	free	5.3%	-	-	-
97	Toys and sports equip.	8%	free-4%	free-12.6%	-	7.9-14.8%	-

Source: Thai Ministry of Commerce.

Table 5

Non-Tariff Barriers of the US, EEC, and Japan Countries
for Selected Products, 1984

CCCN	NAME	USA NON-TARIFF BARRIERS	USA Quota (Quantity)
03	FISH CRUSTACEAN	Health and Sanitary Law Indole is set at the maximum for each item	
07	EDIBLE VEGETABLE	Endrix is set 0.05 p.p.m. at the maximum	
08	EDIBLE FRUIT AND NUT	Global quota	
16	PREP. OF MEAT, FISH		Tariff quota for Tuna & Sardine - 6% for the amount not more than 20% of total US production - 12.5% for the amount more than 20% of total US production - 35% for tuna in water
17	SUGAR AND CONFECTIONARY	Global quota	Quota is set for each country of each import entry
20	PREP. OF VEG. FRUIT PLANT	FDA	
60	KNITTED CROCHETED GD	Standard regulation	
61	APPAREL AND CLOTHING ACC	Standard regulation	
64	FOOTWEAR	Standard regulation	
67	FEATHER ARTICLES	Standard regulation	
97	TOYS AND SPORTS EQUIPMENT	Health and Sanitary (Act FHSA) Substance (Act OPSA)	

Table 5 (Cont.)

CCCN	NAME	EEC NON-TARIFF BARRIERS	EEC Quota (quantity)
03	FISH CRUSTACEAN	Global quota	
16	PREP. OF MEAT, FISH	Set minimum price on import items	
17	SUGAR AND CONFECTIONARY	Import Levy Import requires commodity certificate	
20	PREP. OF VEG. FRUIT PLANT	Import Levy Quota is set according to the agreed limits between Thailand and Japan	
24	TOBACCO ROM 670201		Ceiling under servei-lance of 1,200 tons
40	RUBBER AND SYNTHETICS		Ceiling under 3,238,600 ECU. covering CCCN 40.11
42	ARTICLES OF LEATHERS		Ceiling 2,940,000 ECU.
55	COTTON	2,536.8 tons	
60	KNITTED CROCHETED GD		991.5 (in 1,000 pieces)
61	APPAREL AND CLOTHING ACC		1,156 (in 1,000 pieces)
64	FOOTWEAR	Ceiling quota	Ceiling 519,000 ECU. covering all CCCN 64.01
67	FEATHER ARTICLES	Health and Sanitary	3,244,100 ECU. (Ceiling)
69	CERAMIC PRODUCTS		Ceiling under surveils of 2,935,800 ECU. covering all CCCN 69.08
85	ELECTRICAL MACHINERY		Quota of 3,082,600 ECU. covered all CCCN 69.08 of THAILAND 1984
97	TOYS AND SPORTS EQUIPMENT		6,103,000 ECU. (all numbers)

Table (Cont.)

CCCN	NAME	JAPAN NON-TARIFF BARRIERS	JAPAN Quota (quantity)
03	FISH CRUSTACEAN	Control on quantity of production Global quota	Quota amount is varied for each importer
17	SUGAR AND CONFECTIONARY	Import Levy Internal Tax Domestic products will receive price support	
20	TOBACCO ROM 670201	State trading Phytosanitary regulation	
40	RUBBER AND SYNTHETICS		49,718 Mil.Yen (monthly) control selected products)
42	ARTICLES OF LEATHERS		5,053 Mil.Yen (daily control selected products)
55	COTTON		105 Mil.Yen (goods falling within chapter 55 of the CCCN Code; daily control and selected products)
60	KNITTED CROCHETED GD		818,618 Mil.Yen (prior all garment)
61	APPAREL AND CLOTHING ACC		2,272 Mil.Yen (daily control)
64	FOOTWEAR		276,115 dz. (monthly control)
67	FEATHER ARTICLES		1,444 Mil.Yen (daily control)
97	TOYS AND SPORTS EQUIP.		766-20, 943 Mil.Yen (monthly control)

Source: Ministry of Commerce, Thailand.

quotas based on monthly and even daily monitoring of imports. Also, Japan continues to discriminate among import suppliers. For example, US exports of chickens are levied a lower tariff rate than Thai exports of broilers.

Before proceeding to analyze selected Thai export products facing non-tariff barriers, it is appropriate to discuss the use of value quotas. Unlike quantity restrictions, value quotas work in favor of the quota-imposing country. Specifically, they tend to restrict the ability of exporters to raise prices, and they assist importing countries to monitor their balance of trade situation. Take Japan and the EEC as example. Both attempt to limit balance of payments outflows, and they sometimes employ value quotas to limit outflows for specific lines of products to insure that deficits in some products will not be overwhelming. The value quota system also works well in the case of numerous suppliers competing to sell similar products. Thus, it is not surprising that the system has been adopted by many countries. Japan is believed to be the first nation to apply the system to administer daily as well as the monthly control of certain imports. The EEC system is still administered on an annual basis. In the future the value quota system may be adopted by many other countries and regions.

III. CASE STUDIES OF NON-TARIFF BARRIERS

The previous section has discussed the overall extent of protection in Thailand's principal export markets, presenting basic evidence of restrictive non-tariff barriers against Thai exports. This section presents six case studies concerning Thai products exported to the US, EEC and Japan. The six products are major export items of Thailand in terms of foreign exchange earnings and employment. Because many of the products face trade impediments in more than one country, it is unnecessary to proceed with the analysis on country-by-country basis. The six products examined are: (a) long-grain rice, (b) garments and clothing, (c) sugar, (d) tapioca (or cassava), (e) frozen marine products, and (f) boneless chicken.

Rice

About 90 per cent of the world rice crop is produced and consumed in Asia. Most rice is consumed in the countries where it is grown. Since 1950, the proportion of total rice production traded internationally has averaged about 4 per cent (Table 6). Of the major world rice exporters, only Thailand has consistently maintained substantial exports, up to 4.5 million tons in recent years. Erstwhile traditional exporters, such as Burma and Viet Nam, have become only occasional importers. New exporters include Pakistan, People's Republic of China, Japan, Australia and the US. Many rice importing countries have become self-sufficient; these include South Korea and Indonesia.

Table 6

Annual World Rice Production and World Rice Trade
1950-54 to 1986 (Million Metric Tons, Milled Basis)

Period [a]	Annual Production [b]	Export [c]	Exports as % of Production	Closing Production Stock [d]	Prices [e] US$/tonne
1950-54	122.0	4.7	4	n.a.	n.a.
1955-59	147.3	6.1	4	n.a.	n.a.
1960-64	163.5	6.8	4	n.a.	n.a.
1965-69	184.2	6.7	4	n.a.	n.a.
1970-74	208.6	7.3	3	27.5	n.a.
1975-79	247.0	10.3	4	37.2	323
1980	265.0	11.9	4	44.3	435
1981	274.0	12.5	5	43.2	484
1982	282.0	11.2	4	45.0	294
1983	300.0	11.4	4	42.3	277
1984	312.0	12.6	4	44.4	252
1985 [f]	307.0	11.5	4	54.0	216
1986 [f]	316.0	11.7	4	54.7	210

a/ For the periods 1950-54 to 1975-79 the data is a simple average.

b/ Production data refer to the calendar year in which the entire harvest or bulk of the harvest takes place.

c/ Exports excclude re-exports of imported rice.

d/ Stocks (milled basis) at the end of the countries' respective crop years in the year stated.

e/ Thai long grain rice, 5 per cent broken, for Bangkok.

f/ Forecast.

Source: FAO, Food Outlook (various issues); USDA, Foreign Agricultural Circular, World Grain Situation and Outlook (various issues).

The agricultural policies of two countries, the US and Japan, are examined here. The US Farm Security Act (1985), which became effective on April 15, 1986, offers three types of subsidy to US farmers. First, there are 'deficiency payments' to make up the difference between the world price and the much higher domestic producer target price. To qualify for this form of subsidy, farmers must agree not to use a certain percentage of their land. Second, at harvest time farmers may borrow from the government's Commodity Credit Corporation (CCC) at the 'loan rate' using their rice crop as collateral. If prices are low, farmers liquidate the loan by forfeiting the crop to the CCC, which then sells the crop at a loss. At year-end 1986 the CCC was holding 2 million tons of rice in stocks. Third, a 'loan marketing repayment rate' enables farmers to repay their loan at only a faction of the loan rate. 3/ This has the effect of setting a low price for US exports.

The effect of the third type of subsidy was felt by Thailand prior to the first announcement by the US Department of Agriculture establishing the 'world price' used in administering the Farm Act credit program. In April 1986, the long-grain rice price fell from US$ 280 to US$ 230. Subsequently, however, the US Department of Agriculture announced the world price to be about US$ 215 per ton.

At first there was fear that Thai rice exports would decline below 4 million tons, that is, considerably below the government's target quantity of 4.5 million tons for 1986. By November 1986, according to Ministry of Commerce officials, Thai rice exports were 4.3 million tons. Thus, the quantity of rice exports was not substantially affected by the US policy. The income loss resulting from US policy was calculated as

equal to the loss due to the US induced fall in the rice price. From December 1985 to April 1986, at least 1.2 million tons of rice were shipped out to customers; thereafter 3.1 million tons were shipped until November 1986. Each of the 3.1 million tons received at least US$ 40 less than would have been the case at the beginning of the year. Thus, the estimated revenue loss to Thai rice exporters is about US$ 120 million.

Though NTBs were not directly applied to Thai rice exports, it is clear that the US rice policy disrupted Thailand's earnings from rice exports. The US gained no more than 300,000 tons of rice exports from such a policy and at a very high cost to US tax payers. 4/

The agricultural policy of Japan also affects Thai rice exports. Japan maintains 100 per cent self-sufficiency in rice production even though its production cost is twice that of the world price. The most important barrier to rice imports in Japan is the high rate of subsidy given to Japanese rice farmers. Otsuka and Hayami calculate that the consumer loss and government costs of protecting Japanese rice producers are very high (Table 7). 5/

Table 7

Estimated Costs of Japan Rice Production Subsidies

Year	Consumer Loss (Y bill.)	Cost to Japanese Government (Y bill.)
1965	412	76
1970	646	262
1975	983	642
1976	1,746	610
1977	1,820	729
1978	1,929	701
1979	1,984	716
1980	1,818	567

Source: K. Otsuka and Y. Hayami, 1986, "Revealed Preference in Japan's Rice Policy", in Kyun Anderson and Yukiro Hayami, eds., The Political Economy of Agricultural Protection, University of Hawaii Press.

Otsuka and Hayami also content that in the absence of subsidies to rice growers (estimated to exceed 200 per cent), Japan would have imported between one and two million tons of rice annually in the late 1970s. Both Thai and US rice exporters feel that the Japanese rice policy is restricting international trade in rice.

Though it cannot be stated emphatically that both the US and Japan impose tariffs and non-tariff measures that affect Thai rice exports directly, the subsidy programs of the two countries have significantly reduced Thai export earnings.

Garments

Since the mid-1970s international trade of apparel and clothing has been conducted outside of GATT rules under the Multi-Fibre

Arrangement (MFA), which involves bilateral negotiations to set quotas covering imports of textiles and apparel by the major industrial countries (excluding Japan) from less developed countries.

Considerable trade of garments is conducted between developed countries. At the same time, imports of garments from developing countries have increased their market share in developed countries substantially. Major exporters include Hong Kong, Taiwan, South Korea, Brazil, Singapore and China. This group is sometimes regarded as the first tier of the suppliers. Other exporters include the Philippines, Pakistan, India, and Thailand. In general, each of the large suppliers holds more than 10 per cent market share of each major market. By comparison, the second-tier producers hold less than 2 to 3 per cent.

A recent study by Jaleel Ahmad of the North American textile and garment industry concludes that significant employment losses accompanied surges of apparel imports in the 1970s and 1980s. 6/ The underlying reason for such job displacement was increased use of capital in place of labor and attempts by industry to maintain productivity through other labor-saving techniques. Because reduced employment occurred at the time of the import surges, liberal import policies have been held responsible. The same conclusion is reached by European firms.

Both the US and EEC are MFA signatories. They, however, differ in their approaches to curbing imports of garments. In the case of the US, controls on the imports are mainly quotas set by agreement between the US and exporting countries. Each exporting country negotiates export limits with the US Department of Commerce covering (a)

total yardage and (b) "specific limit" items. Since the total yardage is controlled non-specific limit items are generally automatically controlled. Authorities in exporting countries administer the issuance of export licenses and related documents, such as certificates of origin. Thus, MFA restrictions are in effect voluntary export restraints (VERs).

The Thai-US textile agreement follows the framework set by the MFA. In general, Thai exports account for less than 2 per cent of the total US market. In 1984, the US Department of Commerce initiated a countervailing duty suit investigation against Thai textile mill products under Section 303 of the US Trade Law after a petition was filed by US firms. The US International Trade Commission (USITC) found that Thai textile and garment exporters received subsidies from government export credit facilities. Textile exporters agreed to cease accepting subsidies, and garment exporters were levied a countervailing duty (CVD) of 1.23 per cent at the end of the investigation. Beginning in September 1985, the US embargoed all Thai garment exports to the US because they had exceeded MFA limits by 23 million square yards. 7/ The embargo was lifted in late-1985 only after the Thai-US agreement was renegotiated to include a clause stipulating compensatory reduced quota allotments for the years 1986-88 to "payback" the 1985 overshipments. Notably, the US embargo came when the Jenkins Bill to restrict the growth of US textile imports sharply was being debated in the US Congress.

It is difficult to estimate the loss due to the imposition of the 1.23 per cent countervailing duty on garments. However, the later temporary US embargo sent many exporting firms out of business

because they could not deliver their products on time. The Thai Garment Manufacturers Association put the number of firms which went out of business at 40, but the true figure may be as low as 10 given that a number of firms were financially unsound prior to the embargo of 1985. Nevertheless, the embargo adversely affected Thailand because it significantly disrupted Thai apparel production for some months in 1985, and threatened to result in extensive factory shutdowns and massive layoffs.

The EEC textile agreements with Thailand are also based on the MFA framework. Each EC nation signs a separate agreement with Thailand stating the quota limit for each product line. We have analyzed Thailand's rate of quota utilization and found that Thai exporters neglect some markets and only fill some product lines. The rate of utilization of the US quota is higher than that of the EC countries. And the utilization of export quotas to Denmark is below 20 per cent in many years. The rates of utilization are better in the case of Germany, UK and Italy (Table 8).

The EEC has not applied countervailing duties to Thai garment exports. However, in 1981 the EEC established an administrative mechanism to prevent surges of ASEAN textile exports. The anti-surge mechanism provided an instrument to check the growth of imports apart from regular MFA consultations. In response, ASEAN formed a coalition that successfully negotiated the removal of the anti-surge mechanism. 8/

Finally, it should be emphasized that the MFA system favors established firms because the allocation of licenses is based primarily on historical sales performance of firms. Therefore, new firms are effectively barred from entry unless export regulations specifically

Table 8

Thailand Exports of Textiles and Garments to EEC, 1983-1985
(Square Yards)

Country	Control Level			Quantity Exported			Rate of Utilization		
	1983	1984	1985	1983	1984	1985	1983	1984	1985
Benelux	8,519.766	9,106.437	9,013.925	6,660.538	7,251.841	6,743.767	78.18	79.63	74.81
Denmark	5,592.766	6,663.750	6,414.591	2,524.227	3,618.298	3,941.975	45.13	54.30	61.45
France	8,173.170	9,605.287	9,977.487	4,839.272	5,571.173	5,928.965	59.21	58.00	59.42
Germany (West)	26,865.582	28,604.869	28,197.565	22,493.790	24,697.169	23,649.457	83.73	86.34	83.87
Greece	349.000	408.179	479.330	47,650	42.572	48.191	13.65	10.43	10.00
Ireland	590.185	636.946	664.245	441.024	381.695	370.161	70.15	59.93	55.70
Italy	14,836.502	15,848.640	15,607.158	10,023.901	10,517.835	10,548.067	67.56	66.36	67.50
United Kingdom	15,035.524	16,042.402	16,376.156	10,786.833	10,996.226	10,924.969	71.74	68.54	66.70

Source: Department of Foreign Trade, Ministry of Commerce, Thailand.

promote their entry. The system also creates excessive rent. 9/ The experience of Thailand is that rent-seeking occurs in the process of obtaining export licenses and that rents are shared unequally among exporters, importers and some officials.

Survey Results. To assess the potential effects of the rising tide of protectionism, a survey of garment exporters was conducted during November and December 1985, at which time the likely impacts of the Jenkins Bill could only be speculative. From a list of 259 exporters, supplied by the Thai Garment Manufacturers Association, 70 firms were selected at random and sent a questionnaire. Though follow-up interviews were conducted, many firms refused interviews. Thus, the final sample size was 28 firms. The sample firms have registered capital ranging from 0.6 million baht to 80 million baht, with the majority of firms (about 82 per cent) having registered capital of less than 20 million baht. Of the 28 firms, 18 firms are Thai-owned and the rest are joint-ventures between Thai and foreign investors, principally from Taiwan and Hong Kong. Foreign equity participation is in general less than 80 per cent except in two cases.

The Thai garment industry is a mixture of old and new firms. Of the interviewed firms, 15 were established in the 1970s, and 11 were established over the period 1978-1984. Though precise information about capital machinery usage is unavailable, plant visits revealed that joint-ventures tend to be more capital intensive than Thai-owned firms. The value of equipment per worker in local firms is estimated to be about 15,000 baht while that in joint-ventures is estimated to be somewhat over 20,000 baht.

Table 9

Export Marketing Channels of Thai Garment Firms Surveyed

	Percent [a/]
Single channel	36
Multiple channels	64
Sub-contracting	50
Foreign partner marketing	7
Trading companies	18
Own marketing effort	61
Others (e.g., sales agents)	32

a/ Percentages do not add up to 100 per cent.

Of the firms surveyed, 36 per cent rely on only one type of marketing effort or sales channel (Table 9). However, most firms use several strategies to sell their products abroad. About 60 per cent of the firms rely on their own marketing efforts rather than agents or other intermediaries. Half of the firms are involved in sub-contracted work for companies located in importing countries, a practice which is common in the garment industry.

The firms were asked to identify their nearest competitors in the product range that they export. Four countries were most frequently mentioned: Hong Kong, Taiwan, South Korea and China. However, ASEAN and South Asian countries were sometimes included in the lists, perhaps illustrating that Thai garment exports are wide ranging across spectra of garment types and qualities.

Thai garment exporters aim their products at North American and EEC markets predominantly. Every firm surveyed mentioned that trade impediments were encountered in the US, Canada and the EEC. MFA quota

restrictions were named as the most important, followed by tariffs. Notably, the firms understand the consequences of the MFA bilateral agreements well, and in particular recognized that the agreements were responsible for Thai Ministry of Commerce intervention to administer the allocation of quotas.

Firms viewed the impact of the Jenkins Bill differently. Five firms did not foresee any change in their output or exports. Twelve firms anticipated losses to result, while nine firms were uncertain about the probable outcome. Only one firm expected to sell more.

It is difficult to assess the reliability of the responses regarding the impact of the Jenkins Bill, especially given the charged political climate in Thailand towards U.S. trade policy, at the time of the survey. If simple averages of responses are accepted, then the respondent firms expected that production would be reduced by 35 per cent from the previous year (1985), raw-materials usage by 31 per cent, employment by 32 per cent, export sales by 34 per cent, and profits by 19 per cent. Even these estimates may be overly pessimistic. But, they accurately reflect that the Jenkins Bill created considerable uncertainly among exporters, and this uncertainly cannot be emphasized too strongly here.

Finally, the survey indicated how Thai firms expected to cope with foreign trade restrictions (Table 10). In the short-run, they expected either to reduce production or to seek assistance from the government. In the long-run, they expected to tend to switch to other markets, to improve their productivity and quality, or to move to produce higher value-added items.

Table 10

Garment Firms' Adjustment to Foreign Trade Restrictions

Short-Term	Long-Term
1. Reduce production and employment	1. Seek new markets
2. Seek assistance from the Thai Government	2. Improve productivity and quality of product
	3. Move to high-value items
	4. Move to high-end items
	5. Substitute local for imported raw materials

Sugar

Sugar is produced by many countries around the world. In Southeast Asia, the Philippines and Thailand are major exporters. However, Latin America and Caribbean countries, including Cuba, dominate global production. In Europe, where beet sugar is produced, sugar is produced at a higher cost and continues to receive subsidies from the EEC Common Agricultural Policy. The world consumption of sugar, on the other hand, is dominated by the US where, however, sugar is gradually being replaced by other sweeteners because of the relatively high price maintained for sugar through the US system of domestic market price supports and import controls.

In the US, between 1976 and 1985 tariff duties on sugar imports were raised on several occasions when the world sugar price weakened. During this period, US imports of Thai sugar were accorded

preferential treatment under the US GSP scheme, which excludes any beneficiary country once imports from the country reach 50 per cent of total U.S. imports in any year. Unlike the EC GSP scheme, the US exclusion principle rules out further future imports under the GSP scheme. Thus, Thailand could export up to about 800,000 tons of sugar to the US and still enjoy GSP treatment.

In the Summer of 1980, because of the trebling of the spot price over the previous forward price, large quantities of Thai sugar were delivered to the US and the 50 per cent limit was exceeded, 10/ automatically excluding Thai sugar exports from the GSP scheme and requiring that future Thai sugar exports to the US be controlled by the U.S. global quota. Efforts to restore Thai sugar exports under the GSP have failed since 1984. At present, Thai sugar exporters export 12 million tons of raw sugar valued at 6,000 to 8,000 million baht. Of the 12 million tons, only about 29,000 tons now enter the US each year. This volume represents one-tenth of the previous volume under the GSP scheme, and consequently Thailand has lost about 3 billion baht in sales to US market. 11/

In the EC, the Secretariat has set the tariff rate on sugar at 80 per cent and has excluded sugar from the EC GSP scheme. In addition, a variable levy is imposed on products that use sugar. For an example, canned pineapple is levied several tariff rates, depending on sugar content. The EC also intervenes in sugar production and export. Through an export subsidy program, sugar is subsidized 400 ECU per ton, thus contributing to the low world price of sugar. In fact, without the EC subsidy program, the world sugar price might have been much higher in recent years. Thus, so long as the EC continues to pursue its Common

Agriculture Policy (CAP), the world sugar trade will continue to suffer. The 1985 Wold Development Report, published by the World Bank, estimates that OECD policies have reduced developing countries income several billion dollars. In the Thai case, the US policy has cost billions of baht, and EC actions in the last few years have contributed significantly to the serious deterioration of the terms of trade faced by Thai sugar exporters in world markets.

Tapioca

World production of tapioca is concentrated in a handful of tropic zone countries: Thailand, Indonesia, Brazil, China and Viet Nam. Tapioca in pellet form is used for animal feed in many countries, including the EC, South Korea and the Soviet Union. Thailand is the dominate world producer and exporter, with annual production of 20 million tons and pellet exports of about 5 million tons.

As a raw-material for the animal feed industry, tapioca has many substitutes, including all coarse grains and especially corn. Some experts estimate that within the EC countries the price of corn is 40 per cent higher than the price of imported tapioca. In 1977, after many years of importing tapioca, the EC decided to regulate imports of tapioca from Thailand. The first of several bilateral agreements between Thailand and the EC was signed in 1977. The period of the most recent agreement is 1987-89.

The agreements are essentially voluntary export restraints (VERs). Under the agreements Thailand's Department of Foreign Trade of the Ministry of Commerce regulates exports of tapioca pellets to the EC. Exporters are required by the Export-Import Law of Thailand (B.E. 2522)

to obtain a license to export, along with a certificate of origin. The VER gives rise to abnormal rents garnered by license holders. In recent years, the Ministry of Commerce has instituted a 'special bonus' scheme to encourage exports of tapioca to non-agreement countries in return for 'special' quota allotments for the EC market. Thus, Thai exporters have increased their sales to South Korea and the Soviet Union to obtain larger EC quotas. Recently, however, Ammar Siamwalla analyzed the 'special bonus' scheme and concluded that Thailand has dissipated her economic rent to non-agreement countries, mainly because in non-agreement countries Thai exporters had to sell tapioca below the world price of yellow corn to attract buyers. 12/

Two long-standing pertinent questions about Thai tapioca trade are: (a) would free trade in tapioca benefit Thailand and (b) what is the present benefit to Thailand? Because Thailand is the largest exporter of the product and the EC is the largest buyer of the product, free trade might result in a bilateral monopoly situation in which both sides would have to agree on the price and quantity traded. At the same time, it must be realized that the present Thai export price of tapioca is only lower than the EC price of yellow corn, not the world price. The EC could impose a tariff higher than 6 per cent (the present rate) and increase the cost of Thai tapioca to the EC animal feed industry easily. Therefore, free trade would be expected to boost the volume of Thai tapioca exports and reduce the EC price of tapioca, benefiting both Thailand and the EC.

The present benefit to Thailand of tapioca trade has been calculated by Chaiyaphun (Table 11). 13/ The study indicates that enormous economic rent is being generated by the VER on tapioca

Table 11

Tapioca Export Earnings Under VER and Under Free Trade
($ millions)

Year	Under VER (1)	Under Free Trade (2)	Difference (1-2)
1983	515.4	515.4	0
1984	515.4	515.4	0
1985	546.0	494.5	+51.5
1986	546.0	494.5	51.5
1987	553.5	439.8	113.7
1988	553.5	439.8	113.7
Total	3,229.8	2,899.4	330.4

Source: Chaiwoot Chaiyaphan, "VER between Thailand and the EEC: Impact and Effects, "Discussion Paper No. 2704, Faculty of Economics, Chulalongkorn University, 1984 (in Thai).

products. Many assume that this economic rent is captured by Thai exporters, but surveys of exporters reveal that some importers are also benefitting as exclusive tapioca importers in the EC. Thus, it is highly likely that, similar to other cases of VERs imposed on Thailand, economic rents are being enjoyed in different measures by importers, exporters and trade officials.

Frozen Marine Products 14/

Thailand's international trade of frozen marine products principally involve Japan because of the Japanese preference for fresh frozen seafood. Other important importers are the EC (particularly Italy) and the U.S. Thailand's main overseas competitors for these markets are the Maldives, South Pacific island countries and some Latin American countries. Specific products vary with the importing country's taste. Baby clams are the prime export product for Italy; shrimps for the U.S.; and a wide variety of seafood for Japan.

The production of frozen marine products is a two-stage process: (a) catching seafood and then (b) freezing and processing of the product. Whereas investment in the first stage is undertaken by many countries involved in deep sea fishing, investment in cold storage facilities is usually undertaken by local businessmen or through a joint-venture with a Japanese company. The development of frozen marine production has been supported by Japanese companies in many countries, including for an example Indonesia and Peru. However, the Thai share of the Japanese market is sizable. In 1979, shrimps and prawns (CCCN 03) accounted for 43 per cent of the total value of Thai non-GSP exports to Japan, while cuttle fish of various species also enjoyed a substantial

market share. Also, in Japan Thailand has benefitted from the tariff concessions agreed to at the Tokyo Round. The official tariff rate for frozen shrimps was reduced from 5 per cent to 3 per cent level. That on frozen cuttle fish was reduced from 46 per cent to 5 per cent level, a tariff reduction of over 90 per cent.

From the viewpoint of Thai exporters of frozen marine products there are two kinds of trade impediments facing exports to Japan. The first is the overall policy of Japan to diversify its sources of suppliers in many countries. The second is the use of non-tariff measures, often in combination with one another, to curtail rapid export expansion to Japan.

The overall import policy of Japan has often been questioned. The Japanese system of distribution also presents barriers to foreign goods. In 1979, an Arthur D. Little report concluded that, "there is an instructive anti-import bias within the Japanese business community, and Japan is reluctant to become too dependent on any single source for its vital supplies or its economic activities." 15/ The reluctance to rely on one single source has led Japan to invest in cold-storage around the Pacific region, weakening the position of competitive suppliers such as Thailand. Since 1970 Japan has agreed to import up to 7,000 tons of Thai frozen marine products annually, but in fact Japan has hardly imported more than 50 per cent of the agreed amount, even though Thai marine products meet Japanese quality standards and have been well received by the market.

Since the Tokyo Round negotiations and the accession of Thailand to the GATT in 1982, Japan has established other non-tariff measures that further hinder Thai exports of frozen marine products to

Japan. Included in these measures are quotas based on value, daily or monthly monitoring systems, and sanitation regulations and laws. The value quota is used to limit yen outflows and the size of trade deficits of frozen marine products. It also tends to depress prices quoted by exporters.

Even more complex are quotas regulating imports on a daily or monthly basis. Thai exports that cannot be shipped or imported in time are destroyed, adding to costs and reducing demand. Japan also introduces special tariffs once the value of an import item has reached a given level. Exporters dislike such arrangements because information is typically not received prior to shipment.

Boneless Chicken

Thailand is a competitive producer and exporter of chickens, along with the U.S., Brazil, West Germany and the Philippines (Table 12). Middle East countries, China and Japan are the major markets for Thai exports of broiler chickens.

Japan imposes both ordinary and tariff quotas on imported chickens. Furthermore, Japan applies discriminatory import restrictions to chickens from different countries. In particular, the tariff rate levied on U.S. chickens is always lower than that levied on Thai boneless chicken, 13.8 per cent for Thai chickens versus 12.4 per cent for U.S. chickens. Thailand protested this discrimination, specifically arguing that discrimination against Thai broilers is uncalled for because U.S., not Thai, producers are the lowest cost suppliers.

The loss due to discrimination to Thai exports has not been estimated. The Thai chicken industry does not depend on one market for

its exports. It can diversify to local market and other overseas markets. However, since the dollar devaluation of 1986, Thai exports of chickens to Japan have increased rapidly, and Japan has reduced the tariff rate applied to Thai chickens to be equal the rate applied to U.S. chickens. Thus, the case of boneless chicken has finally been solved to the mutual benefit of both Thailand and Japan.

Table 12

Price Per Kilogramme of Live Broiler Chickens in Selected Countries, 1983-1986

	Local Currency				US Dollar			
Country	1983	1984	1985	1986	1983	1984	1985	1986
US	0.63	0.74	0.67	0.77	0.63	0.74	0.67	0.77
Germany	1.97	2.12	2.06	....	0.77	0.75	0.70	....
Thailand	....	17.26	15.80	18.40	....	0.73	0.58	0.71
Mexico	....	....	274.35	404.55	....	....	1.07	0.75
Brazil	....	....	1266.00	14.00[a/]	....	....	0.38	1.02
Philippines	....	....	20.53	21.03	....	....	1.10	1.03

a/ Brazil devalued her currency in March 1986.

Source: International Finance Corporation (1986).

IV. TARIFFS AND NON-TARIFF BARRIERS IN ASEAN

The above account of Thailand's problems with foreign tariff and non-tariff barriers suggests that protectionism is pervasive in the OECD countries. It is misleading, however, to suggest that only the developed economies impose tariffs and non-tariff measures (NTMs) against developing countries. In fact, significant, if not rising, levels of protection are also present in developing countries.

A number of reasons may be given for protection in less developed countries, including the need for government revenues, import substitution policies, and balance of payments problems. Nevertheless, import barriers in the form of both tariffs and other measures are especially restrictive in many developing countries precisely to protect inefficient domestic industries from foreign competition, including competition from efficient producers in other less developed countries.

To illustrate the extent and nature of tariff and non-tariff measures prevailing among developing countries, trade restrictions enforced within ASEAN are examined here. This is appropriate because Thailand is an ASEAN member country and the ASEAN countries are among Thailand's closest allies in Asia and the Pacific.

Since its inception in 1967, ASEAN has adopted many measures to foster economic cooperation. One of the most significant is the ASEAN Preferential Trading Arrangement (PTA) adopted in 1977. Under the Arrangement, ASEAN countries agreed to reduce or eliminate the tariff rates on many items. Presently, Thailand has 1,885 customs product lines under which imports from other ASEAN countries are allowed entry at preferential duty rates. Studies by Naya and Guat Tin reviewing the

results of PTA have found that intra-ASEAN trade has not progressed at a satisfactory rate however. 16/ Moreover, a recent study by Reiger confirms that intra-ASEAN trade is dominated by the entrepot trade of Singapore with both Malaysia and Indonesia. 17/ Whereas, intra-ASEAN trade is roughly 19 per cent of total ASEAN trade, 16 per cent of the total is attributed to trade with Singapore. Thus, "pure" intra-ASEAN trade is only about 3 per cent.

Intra-ASEAN trade is unlikely to progress faster than ASEAN trade with other countries mainly because of the large number of items still excluded from PTA and levied very high tariffs. Table 13 illustrates the average tariff rates on commodities and manufactures of Indonesia, the Philippines, Malaysia and Singapore levied against Thai exports. It is apparent that, ASEAN countries enforce high tariff levels. Indonesia imposes the highest rates, followed by the Philippines. Malaysia's tariff rates are generally much lower, while Singapore imposes few tariffs at all.

There is also considerable evidence of restrictive NTBs applied in ASEAN. Table 14 shows the extent of NTBs in Malaysia and Singapore as recorded by the Thai Ministry of Commerce. It is clear from the Malaysian case that several one-digit CCCN products are subject to licensing, even when, as indicated in Table 14, PTA rates have been negotiated. Malaysia requires licensing of many imports, while Singapore prohibits certain imports and generally applies a nondiscriminatory excise tax to all imports.

Ooi Guat Tin, through interviews with both exporters and customs officials in ASEAN, found that customs procedures, including especially those involving the classification, valuation and clearance of goods, are a fundamental bottleneck to expanded intra-ASEAN trade. 25/ Indeed, her study demonstrates that customs procedures hinder imports of most traded items in ASEAN.

Table 13

Average Tariff Levels Enforced by ASEAN Countries

		INDONESIA		PHILIPPINES				MALAYSIA		SINGAPORE	
CCCN	NAME	GEN. RATE	PTA	1983	1984	1985	PTA	GENERAL RATE	PTA	GENERAL RATE	PTA
03	FISH CRUSTACEAN	40%	25%	50%	50%	50%	20%	free	free	-	-
07	EDIBLE VEGETABLE	60%	25%	30%	30%	30%	25%	$984/t	30%	-	-
08	EDIBLE FRUIT AND NUT	60%	25%	50%	50%	50%	-	&881 70-85/t	-	-	-
16	PREP OF MEAT FISH	70%	-	10-50%	10-50%	10-50%	20%	20-30%	free 30%	-	-
17	SUGAR AND CONFECTIONARY	60%	25-30%	50%	50%	50%	20%	$143 30	20-35%	$30856/t	$30856/t
20	PREP OF VEG FRUIT PLANT	50%	-	60%	50%	50%	20%	$2 20/kg	-	-	-
24	TOBACCO ROM 670201	-	30-50%	30-50%	-	-	-	-	-	-	-
40	RUBBER AND SYNTHETICS	40%	20%	10-30%	10-30%	10-30%	20%	-	-	-	-
42	ARTICLES OF LEATHERS	60%	25%	60%	50%	50%	20%	25%	20-30%	5%	-
50	SILK AND SILK WASTE	-	-	40%	40%	40%	20%	25%	-	-	-
55	COTTON	5-100%	20-25%	10-40%	10-40%	10-40%	10-20%	-	free 20%	-	-
60	KNITTED CROCHETED GD	70-80%	-	70%	60%	50%	20%	25%	20%	5%	4%
61	APPAREL AND CLOTHING ACC	80%	-	70%	60%	50%	20%	25-35%	20%	5%	3 75%
64	FOOTWEAR	40-70%	-	20-60%	20-50%	20-50%	20%	25%	29%	-	-
67	FEATHER ARTICLES	60%	-	50%	50%	50%	20%	15-25%	20%	-	-
69	CERAMIC PRODUCTS	225%	-	60%	50%	50%	-	25%	20%	-	-
97	TOYS AND SPORTS EQUIPMENTS	50%	-	50%	50%	50%	20%	25%	-	-	-

Source: Ministry of Commerce, Thailand.

Table 14

Non-Tariff Barriers Enforced by Malaysia and Singapore, 1983

CCCN	NAME	MALAYSIA	SINGAPORE
02	MEAT AND EDI. MEAT OFFAL	Import licensing Export licensing	
020201	FOWL DUCKS FRESH FROZEN		
03	FISH CRUSTACEAN	Export licensing	
05	ANIMAL PRODUCTS	Export licensing	
17	SUGAR AND CONFECTIONARY	All types of CCCN 1701	
170101	RAW SUGAR CENTRIFUGA	Prohibited import (subject to import licensing) Excise taxes Export licensing (to protect local industry)	Prohibited imports (under import licensing for security of supplies and price stability)
170102	BROWN RAW SUGAR		
170109	OTHER RAW SUGAR		Excise tax ($163.54/t)
170111	WHITE REFINED SUGAR		Prohibited imports Excise tax ($163.54/t) Prohibited imports
170300	MOLASSES TRIC METER	Import licensing (Protect local industry)	
19	PREP. OF CEREAL FLOUR		
190303	RICE NOODLE VERMICEL	Export licensing	
190801	BISCUITS AND CRACKERS	Export licensing	
20	PREP. OF VEG. FRUIT PLANT		
200712	GRPSUM CRUDE	Export licensing	
252301	WHITE CEMENT	Export licensing	
252321	PORTLAND CEMENT	Export licensing	
252329	OTHER CEMENT	Export licensing	
64	FOOTWEAR		
640210	SPORT SHOES	Export licensing (for security reasons)	
69	CERAMIC PRODUCTS		
690400	CERAMIC BRICKS	Export licensing	

Table 14 (Cont)

CCCN	NAME	MALAYSIA	SINGAPORE
85	ELECTRICAL MACHINERY		
851525	RADIO RECEIVERS	Import licensing (for security reasons) Excise taxes	
851521	COLOUR TV SETS		
851920	CIRCUIT BREAKER PART	Import licensing (for security reasons)	
851911	INTEGRATED CIRCUITS		
970301	OTHER WORKING MODELS		Prohibited imports

Source: Ministry of Commerce, Thailand.

V. POLICY CONSIDERATIONS

While protectionism has risen, jeopardizing the international trading environment, it is premature to think that nations will reduce their trade drastically in order to achieve self-reliance. Few countries in the world are capable of sustaining growth based on their own resources and technological knowhow, except at very high opportunity cost. Thus, both developed and developing countries have equal interests in preserving and strengthening the global trading system. In the past, little or passive participation of LDCs has been observed at the GATT negotiations and meetings. Developing countries have benefitted from concessions previously negotiated at GATT, but now is the time for exploitation of the system in the form of "free-riding" to end. For instance, Krause contends that unless LDCs negotiate in the new GATT round the global trading system will become less favorable to LDCs. 18/

Within the Asian-Pacific region, there is a clear need to define and discuss the regional and global dimensions of problems with non-tariff measures restricting trade. The ASEAN countries, for instance, in connection with their 1987 summit in Manila will consider what market and trade arrangements among themselves would better promote intra-ASEAN trade. There has not been much discussion of NTBs within the ASEAN group. Because non-tariff barriers exist in ASEAN, any negotiations leading up to significant economic integration must include consideration of these measures and their adverse effects on intra-ASEAN trade. Similarly, any trade negotiations within the region must also focus on NTBs as well as other substantive issues.

Thailand itself must also prepare to discuss restrictive trade measures with its trading partners. In the past, Thailand has imposed tariffs and NTBs without justification other than to respond to vested economic interests within the country. Import licensing, for example, has been used extensively by the Ministry of Commerce. Thailand has also tended to favor bilateral agreements to expand her exports. This tendency should not be overemphasized because it promotes discrimination and overlooks the fact that multilateral, or MFN arrangements are in the best interest of Thailand as well as other countries. In the final analysis, Thailand must be prepared to offer "concessions" to other countries in the form of reduced tariff and non-tariff barriers as well as to strive for greater access to foreign markets.

FOOTNOTES

1/ R. E. Baldwin, 1985, The Political Economy of US Import Policy, MIT. Press.

2/ World Bank, 1986, Thailand Country Economic Report, p.21.

3/ Prior to the US Farm Security Act (1985) the first two types of subsidy were already in existence. The last (loan marketing repayment rate) was the result of the Act.

4/ The US gained one-half of her 300,000 tons through rice sales to Brazil in late-1986.

5/ Keijiro Otsuka and Yukiro Hayami, 1986, "Revealed Preference in Japan's Rice Policy", in Kym Anderson and Yukiro Hayami, eds., The Political Economy of Agricultural Protection, University of Hawaii Press.

6/ Jaleel Ahmad, 1986, "Trade Protectionism and Industrial Adjustment: The Case of North American Clothing Industry", for North South Institute/Institute of Southeast Asian Studies, mimeograph.

7/ See, R. H. Leary, "Embargo Lifted", Textile Asia, December 1985, pp. 119-120.

8/ For further discussion, see Rolf Langhammers, 1985, "The Economic Rationale of Trade Policy Cooperation between ASEAN and the EC: Has Cooperation Benefitted ASEAN?" ASEAN Economic Bulletin, Vol. 2, No. 2.

9/ Carl Hamilton, 1983, "Voluntary Export Restraint on Clothing from Asia: Price Effects, Rent Income and Trade Barriers Formation", mimeograph.

10/ Thai sugar exporters deliberately nullified their forward sales contracts to exploit the high spot sale price in 1980.

11/ The loss estimates are those of the authors and are based on interviews with leading sugar exporters.

12/ Ammar Siamwalla, 1986, "Rents Dissipation in Quota Allocation for Cassava in Thailand", TDRI mimeograph.

13/ Chaiwoot Chaiyaphan, 1984, "VER between Thailand and the EEC: Impact and Effects", Discussion Paper No. 2704, Faculty of Economics, Chulalongkorn University in Thai.

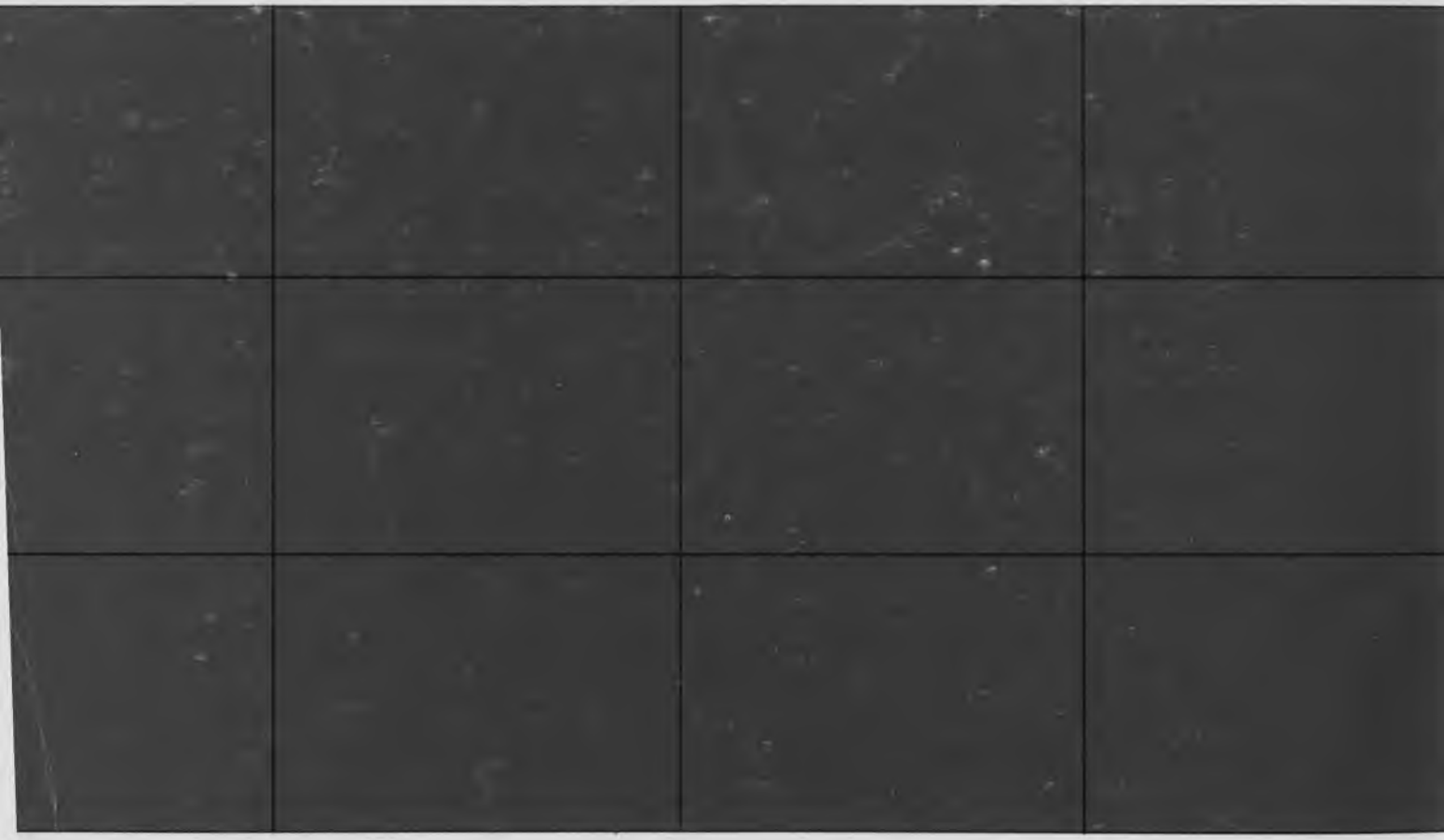
14/ This section is based on a previous paper by one of the authors. See, Juanjai Ajanant, 1984, "Non-Tariff from Japan: The Case of Thai Frozen Products", Institute of Southeast Asian Studies.

15/ Arthur D. Little, 1979, The Japanese Non-Tariff Barriers Issues: American Views and the Implication for Japan-US Trade Relations, National Institute for Research Advancement, May.

16/ See, for example, Ooi Guat Tin, 1981, "The ASEAN Preferential Arrangements (PTA): An Analysis of Potential Effects on Intra-ASEAN Trade," Research Notes and Discussion Paper, No. 26, Institute of Southeast Asian Studies.

17/ Hans Cristoph, Reiger, 1985, ASEAN Co-operation and Intra-ASEAN Trade, Research Notes and Discussion Paper, No. 57, Institute of Southeast Asian Studies.

18/ Lawrence B. Krause, 1984, The Developing Countries and the GATT, in Young Foogil, ed., Pacific Perspectives on Trade Policy Issues, Korea Development Institute.



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